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FOREIGN NEWS ON CITRUS FRUIT

Italian Citrus Situation and the European Citric Acid Cartel

General situation: The 1935-36 Italian citrus season, which started November 1, opened in a disorganized condition due to speculation as to the effect of the sanctions, according to information from the American Consulate at Palermo which was forwarded to this office from N. I. Nielsen, Agricultural Attache at Paris. The lemon crop will probably be about average in size but oranges will likely be below average as a crop and mandarins will probably be a light crop. Supplies of citrus by-products were light. The old stocks of essential oils on hand at the end of October decreased rapidly in the fall months, particularly during the first half of November, since importers in sanction countries were scrambling to purchase supplies before the deadline on November 18. Prices in general were firm up to this date, but have shown a general decline since November 18.

The production of essential oils in Sicily during 1935-36, manufacture of which ordinarily starts about December 1, depends almost entirely on the political situation, particularly the effect of sanctions. Because of the disorganized state of affairs, persons connected with the industry in Palermo and Messina are not in a position to make even a haphazard guess as to production of these products this season. Depending on the effectiveness and duration of the sanctions, it is estimated that from two to three million cases of lemons and about a million boxes of oranges, that ordinarily would go to sanction countries, will remain unsold. The Italian army in Africa can use only a small fraction of this fruit so it seems logical to assume that a good portion will go to the by-products plants. On the other hand, even with a low price for raw material, producers of lemon by-products in Sicily would have little interest in producing large supplies with no market outlet in sight and with the probability of a price crisis when sanctions are withdrawn. Because of the short stocks of citrus by-products in Italy, there is a possibility that production of these items may be stimulated if it is found that sanctions can be circumvented by exporting Italian citrus products to closed markets through Germany. For example, according to one Palermo exporter, French and British manufacturers of Cologne water, who may be unable to obtain the important bergamot oil ingredient from Italy, and who do not desire to use synthetic bergamot, will have to sit

idly by while their German competitors increase their exports. This particular contact seems quite certain that Italian bergamot oil will reach French and English manufacturers via German dealers if the sanctions are imposed over a sufficient period to result in a consumption of stocks on hand. This same reasoning could apply to those concerns desiring lemon and orange oil as well as other citrus products.

Oil of lemon: Estimates of lemon oil stocks at the end of November fluctuated widely, or from 70,000 Sicilian pounds (99,960 pounds) to 300,000 Sicilian pounds (428,400 pounds). The Italian government has forbidden estimates since sanctions were imposed. The Consulate at Palermo feels that the lower figure is probably the most accurate of the two.

Oil of orange: Estimates as to present stocks of oil of sweet orange range from nothing to 5,000 Sicilian pounds (7,140 pounds). Opinion is general that there are little or no supplies of bitter orange oil on hand. It is believed that there is more of a shortage of orange oil than lemon oil, both in Italy and in the world markets. Due to sanctions there will likely be plenty of oranges for by-products plants. How much oil will be expressed, no one can predict.

Bergamot and mandarin oil: About 150,000 English pounds of bergamot oil were available in Italy at the end of the summer, according to commercial sources. Practically all of the supply was purchased by foreign importers before sanctions were made effective. Only a few thousand pounds were on hand at the end of November. Production during 1935-36 is expected to be about 25 percent below last season. Production of bergamot oil is declining.

Mandarin oil stocks are exhausted, according to the best reports available. Production has started on a small scale but mandarin prices were too high around December 1 to permit large scale production of oil.

Citric acid: It appears that at least 2,700 metric tons of citrate of lime will be manufactured during the 1935-36 season in Italy and possibly more than double this figure. The Italian government is reported by the trade to have set aside 8,000,000 Lire ($648,000) to purchase citrate of lime (64 percent acid content) at a price of 300 Lire per quintal (11.02¢ per pound). This sum will purchase 2,700 metric tons of lime (2,933 short tons). In view of the sanctions it seems that at least this quantity will be produced.

Although still effective, it would seem that the agreement between producers of natural and synthetic citric acid may be broken, if present economic sanctions continue. The temptation to utilize cheap Italian lemons that might otherwise go to waste may be too great for the Italian producers to resist. The European Citric Acid Cartel is discussed later in this report.

Prices paid for citrus oils at Messina from November 18 to 30 have in all cases declined somewhat from the prices that prevailed during the first part of the month. Quotations for the latter part of the month were as follows: lemon oil (machine pressed) 8.85 Lire per Sicilian pound ($1.02 per pound), lemon oil (hand pressed) 10.00 Lire per Sicilian pound ($1.15 per pound); sweet orange oil 16.40 Lire per Sicilian pound ($1.89 per pound); bitter orange oil 15.40 Lire per Sicilian pound ($1.78 per pound); bergamot oil 13.00 Lire per Sicilian pound ($1.50 per pound); and mandarin oil 29.80 Lire per Sicilian pound ($3.44 per pound). The Sicilian pound contains 317.621 grams (4902 grains) against 453.6032 grams (7000 grains) in the English pound.

European Citric Acid Cartel

The European Citric Acid Cartel, which was established in 1934 for the purpose of regulating exports and strengthening prices, has successfully achieved its objectives during its first year of operation, according to Sydney B. Redecker, American Consul, Frankfort-on-Main, Germany. Supplies have been reduced and prices enhanced. However, the Cartel is not entirely responsible since prices of raw materials in Italy discouraged the production of citrus by-products. Some doubt is held as to the future success of the Cartel since there seems to be a tendency for larger production of citric acid by synthetic processes in non-cartel countries such as Germany and Japan.

The Cartel includes Italy, England, Belgium, Czechoslovakia and France. Other than Italy, the countries mentioned produce citric acid by synthetic methods. Complete details of the pact are not generally known but Italy is reported to have an export quota of 38 percent of the total figure set for exports. Exports from Cartel countries in the 4-year period, 1929-34, averaged about 4,700 metric tons and production roughly 6,500 - 7,000 metric tons. The only other large producer is the United States with a production of roughly 3,500 metric tons in 1933, according to the report. Two concerns in Germany are now supplying the home market with citric acid. Imports into Germany have declined from 770 metric tons in 1932 to 112 metric tons in the first 9 months of 1935.

In addition to the allotment of export quotas, the Cartel is understood to contain provisions regarding the maintenance of minimum export prices and their stabilization at between 4.20 and 5.00 lire per kilogram (15.4 ¢ and 18.4¢ per pound). London quotations for citric acid indicate that the Cartel has been successful in raising prices. Present quotations in London run around 11 3/4 pence a pound (24.1¢ per pound) a somewhat higher figure than the original Cartel price and a considerably higher price than last year's quotation of around 9 3/4 pence (20 ¢ per pound).